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NAIROBI FOR MICHAEL FITZPATRICK  
SOUTHCOM FOR POLAD BARBARA MOORE  
NSC FOR SUE CRONIN

E.O. 12958: DECL: 03/09/2016  
TAGS: [PGOV](#) [PREL](#) [PINR](#) [KCRM](#) [PA](#)  
SUBJECT: PARAGUAY: AMBASSADOR AND FM RACHID DISCUSS  
ANTI-MONEY LAUNDERING LAW, CABRAL, MILITARY EXERCISES, AND  
ARTICLE 98

REF: STATE 16171

Classified By: PolCouns James P. Merz. Reason 1.4 (b),(d).

#### Summary

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¶1. (U) Summary. On 3/7, the Ambassador stressed to FM Rachid the importance the U.S. places on rapid adoption of anti-money laundering legislation. He reminded her that naming corrupt police officer Aristides Cabral Paraguay's police chief would cause serious damage to our relations, particularly in terms of law enforcement cooperation. Rachid opined that developing an agreement on military exercises in 2007 was realistic and conveyed her willingness to "continue talking" about an Article 98 arrangement. She requested a meeting with the Secretary to discuss regional concerns. Both the Ambassador and FM agreed to look at scheduling a signing ceremony for an MOU on a Seismic Monitoring Station for late March, early April. End Summary.

#### Adoption of AML Law is Litmus Test for GOP

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¶2. (U) Ambassador stressed the need to for the Congress to move quickly in adopting AML legislation, describing it as a "litmus test" for Paraguay's commitment to fighting corruption. Paraguay had done the right thing in ratifying anti-terror conventions but the legislation was necessary to fulfill international commitments. Some Senators and other sectors, including banks, may have objections to the law. They need to come together to work out compromise language with the law's drafters, ensuring the essential principles are retained. Rachid appreciated the need for Paraguay to adopt this law and said she would talk to her brother, Bader Rachid, who is Senate President of the Legislation Commission which is reviewing the law and who has flagged concerns about the law in the past.

#### Drawing the Line on Cabral

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¶3. (C) Cabral has been back in the news with the recent release of the INSCR which notes our concern about his appointment to a key position in the Department of Presidente Hayes. FM Rachid and Interior Minister Benitez have been quoted in the press alleging the U.S. had not presented proof. In speaking with the Ambassador in private on this issue, Rachid maintained the President did not want

controversy over this issue to damage the strong rapport he had developed with the Ambassador. The Ambassador shared that view but reminded Rachid that naming Cabral Police Chief was a non-starter for the U.S. and would severely damage relations, particularly on law enforcement issues. We could share with her, again, the information we have on Cabral but then we would have to tell that to the press if they raised the issue again. Rachid said that she did not need to see the information but welcomed any kind of hard proof in the form of taped conversations implicating Cabral. (Comment: We consider the request for proof of Cabral's sins less than sincere. Those within the GOP who have had dealings with Cabral know full well he is crook; the problem is that he is their crook. It is unlikely they will find any tapes we might provide them "sufficient" proof of Cabral's veniality. End Comment.

#### Military Exercises

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¶4. (SBU) Noting the controversy over the last agreement on U.S.-Paraguay military exercises expiring in December 2006, the Ambassador asked for Rachid's views regarding a new agreement to cover exercises starting in 2007. Rachid thought concern about a U.S. "military" base were behind us (Note: This was prior to the NYT MLE story. End note). She was encouraged by recent positive press about a U.S. medical readiness exercise in the Department of San Pedro providing impoverished individuals with life transforming medical attention. She recommended we look at drawing up the terms for an agreement on a list of exercises for 2007 but that it would be best we not take this up with the Congress until the of term of Sen. Filizzola, a strong U.S. opponent, expires in June 2006.

#### Article 98

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¶5. (SBU) The Ambassador asked Rachid if she had taken a decision on how to move ahead with agreed text our respective lawyers had worked out on an exchange of notes for an arrangement on Article 98. Rachid stressed her personal engagement on this issue and described her desire to find mutually acceptable language that would not constitute an agreement that would require Congressional approval and would still provide our citizens with the protections we sought. She signaled the text worked out by our lawyers was still not agreeable and suggested our lawyers huddle again. She said that our responding to Paraguay's letter of October 2003 would be helpful but as an alternative suggested we look at trying to find language in Article 10 of the Rome Treaty in concert with our extradition treaty to provide the protections we need. She explained that Paraguay, given that it has ratified the Rome Treaty, found itself in an awkward position seeking to accommodate U.S. needs. However, she maintained that she was committed to "continuing discussions" on this issue. Comment: Post believes Paraguay is not/not serious about reaching an agreement on this issue. Rachid is incapable of saying this, but her suggestion we go back to the drawing board in terms of finding language we thought we had already agreed to and her commitment to "continuing to talk" about this issue -- vice "forging a solution" send a very clear message. End Comment.

#### Request for Meeting with the Secretary

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¶6. (SBU) Rachid stressed her desire to meet with the Secretary, if not in Chile for Bachelet's inauguration then

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at some unspecified time in the future. She was concerned about the false choice facing the region. Paraguay had problems with Mercosur but did not support Uruguay's tact in negotiating agreements independently with the U.S. On a related level, Paraguay shared our concerns about the influence of Venezuela in the region and the direction Bolivia had taken with recent elections. She thought the

U.S. could offer a pragmatic middle course and wanted to discuss with the Secretary how the U.S. might engage more effectively in addressing shared regional concerns. Comment:  
In view of concerns over Cabral and the delay in adopting the AML law, post would recommend against the Secretary meeting with FM Rachid at this juncture. End Comment.

#### MOU on Seismic Monitoring Station

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[17](#). (U) In 1989, the U.S. and Paraguay signed an agreement to establish a seismic monitoring station in the District of Caapuc in the Department of Paraguari. In 1999, the two parties signed an MOU that replaced the original agreement and assigned responsibilities to the two parties for effective operation of this station. Paraguay and the U.S. have agreed to a text for a new MOU that further refines responsibilities for operation of this station and would replace the 1999 MOU. FM Rachid and the Ambassador agreed to try to sign this MOU later in March or early April.

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